

CENTRAL FLORIDA INDUSTRIAL MARKET REPORT

Q3 2018

THE SUMMER SIZZLE CONTINUES

SUMMARY

The Central Florida Industrial market remains hot. Not only were the temperatures scorching over the summer, but the amount of activity market-wide remained strong. There seems to be a lack of available projects under construction and the amount of available product continues to diminish keeping vacancy rates historically low and bringing rental rates closer to pre-recession levels.

VACANCY

Vacancy rates slightly increased from the previous quarter ending Q3 at 4.2%. This represents the eighth consecutive quarter that vacancy rates stayed below 5.0%. Developers are putting into production the last of their available land sites in the Central Florida market. Due to a lack of available industrial zoned land sites, we believe there will be a continued downward pressure on vacancy rates. The scarcity of available space will continue to help drive absorption in new projects that are currently under construction or getting ready to commence.

ABSORPTION

The market is close to absorbing more square footage than it is delivering. Second and third generation space remains scarce. In Q3, six buildings were delivered totaling 888,783 square feet and the market absorbed 763,135 square feet of space. Essentially what this indicates is almost everything delivered this past quarter was absorbed. This trend is helping keep our vacancy rates low. We continue to see activity on most buildings under construction with many developers able to sign leases prior to the building's completion. Year-to-date, we have absorbed a total of 2,506,318 square feet, which is trending slightly higher than this same time last year.

BUILDING SALES

The Central Florida industrial market saw 27 building sales in Q3 2018. The number decreased slightly but it brought year-to-date total sales to 79, which represents a 15% increase from this time last year. Q3 dollar volume was \$187,336,525 increasing the total average price per square foot to \$84.61 per square foot. One notable sale transaction was TA Realty purchasing 12340 Boggy Creek Road, the 857,470 square foot build-to-suit for Amazon.com for \$108,000,000 or \$125 per square foot.

NEW CONSTRUCTION

There are currently 20 buildings under construction totaling 2,134,620 square feet with several large users looking for 200,000 square foot or larger facilities. It is important to note that only three out of the 20 buildings could accommodate a user of that size.

OUTLOOK

As we start the fourth quarter we believe we will close out the remainder of 2018 on a strong note; however, there remains some uncertainty as we inch closer to 2019. Investors have concerns about how long this economic expansion will continue, as well as the potential negative affects of the trade tariffs. Despite those concerns, consumer confidence remains high and we believe rental rates still have some room to run. New development remains disciplined, so we expect the vacancy to continue to stay low through the end of 2018 and into the first half of 2019.

3Q 2018 Industrial Market Statistics

137,964,264
TOTAL SF

4.2%
VACANCY

763,135
SF ABSORPTION

2,134,620
SF UNDER
CONSTRUCTION

\$6.37
AVG. ASKING
BASE RENT/SF

888,783
SF DELIVERED

\$187,336,525
BUILDING SALES
VOLUME

\$84.61
AVG. SALE PRICE/SF

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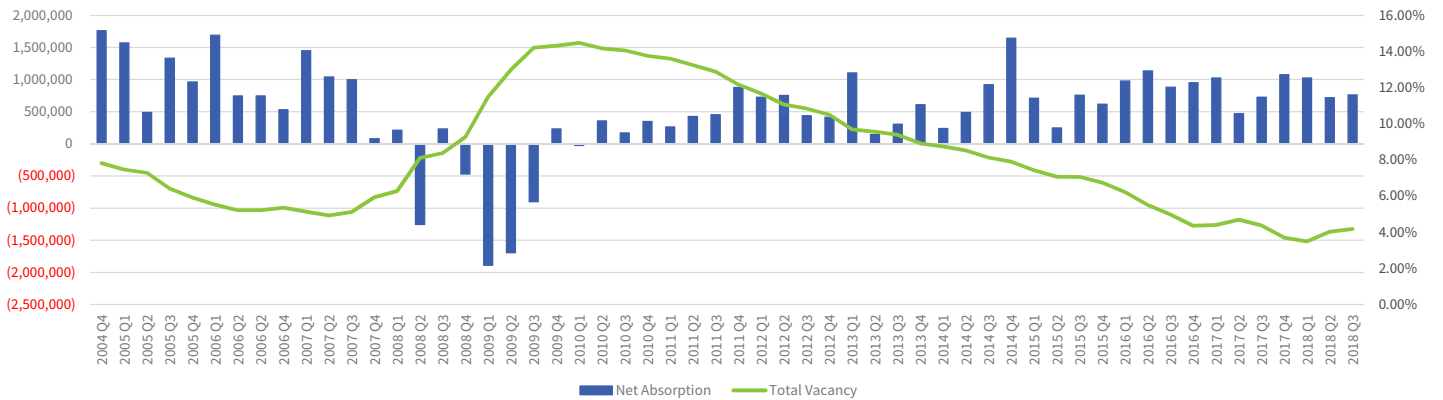
3Q 2018 Central Florida Industrial Market Stats

	# of Bldgs	Total SF	Total Vacancy	Avg Asking Base Rent	Net Absorption	YTD Absorption	# U/C	Under Construction	# Delivered	Delivered
2018 Q3	3,085	137,964,264	4.2%	\$6.37	763,135	2,506,318	20	2,134,620	6	888,783
2018 Q2	3,079	136,956,782	4.0%	\$6.15	717,424	1,743,183	28	2,513,235	8	1,383,611
2018 Q1	3,070	135,444,330	3.5%	\$6.27	1,025,759	1,025,759	15	2,653,524	10	1,048,417
2017 Q4	3,060	134,673,901	3.7%	\$6.32	1,074,573	3,299,922	15	2,941,270	7	594,397
2017 Q3	3,056	134,503,835	4.4%	\$6.14	726,937	2,225,349	17	1,766,311	3	292,381
2017 Q2	3,052	134,186,954	4.7%	\$6.04	471,613	1,498,412	18	1,977,871	6	894,530
2017 Q1	3,045	133,280,424	4.4%	\$6.00	1,026,799	1,026,799	16	1,727,770	8	1,185,428
2016 Q4	3,037	132,143,921	4.4%	\$5.95	948,581	3,946,227	12	2,158,398	3	128,807
2016 Q3	3,034	132,015,114	5.0%	\$5.87	881,534	2,997,646	11	2,080,479	1	195,023
2016 Q2	3,033	131,820,091	5.5%	\$5.71	1,136,376	2,116,112	9	1,663,355	3	171,479
2016 Q1	3,029	131,617,698	6.2%	\$5.63	979,736	979,736	4	957,588	5	313,084

3Q 2018 Central Florida Industrial Submarket Breakdown

	# of Bldgs	Total SF	Total Vacancy	Rental Rate	Net Absorption	YTD Absorption	# U/C	Under Construction	# Delivered	Delivered
NE Orange	195	5,841,390	4.7%	\$9.32	(78,853)	(119,560)	2	22,800	0	0
NW Orange	692	29,056,916	3.2%	\$6.57	76,646	742,389	6	739,888	0	0
SE Orange	476	35,371,492	5.5%	\$5.83	959,668	1,541,745	11	1,326,932	5	870,723
SW Orange	366	25,362,448	3.9%	\$5.69	(244,566)	101,422	0	0	0	0
Downtown	289	7,521,807	2.6%	\$7.20	26,949	(88,502)	0	0	0	0
Seminole	697	20,720,199	5.0%	\$6.17	63,728	240,029	1	45,000	1	18,060
Lake	226	7,977,543	2.7%	\$3.57	(25,232)	60,712	0	0	0	0
Osceola	144	6,112,469	3.1%	\$6.62	(15,205)	28,083	0	0	0	0

Absorption vs. Vacancy
Previous 15 Years



3Q 2018 Notable Industrial Lease Transactions

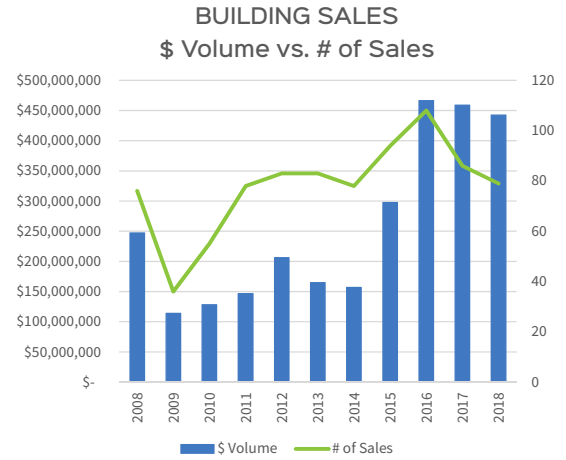
Property Address	City	Submarket	Tenant	Landlord	Type	Lease Size
Air Commerce Parkway	Orlando	SE Orange	Communication Test Design, Inc.	Becknell Industrial	New	245,582 SF
Consulate Drive	Orlando	SW Orange	SYSCO	Prologis	New	242,160 SF
Beacon Lake Drive	Orlando	SE Orange	PRG, Inc.	Eastgroup Properties	New	124,234 SF
Oak Crossing Road	Orlando	SE Orange	KCMC Holdings, Inc.	McCraney Property Co	New	101,220 SF

3Q 2018 Notable Industrial Sale Transactions

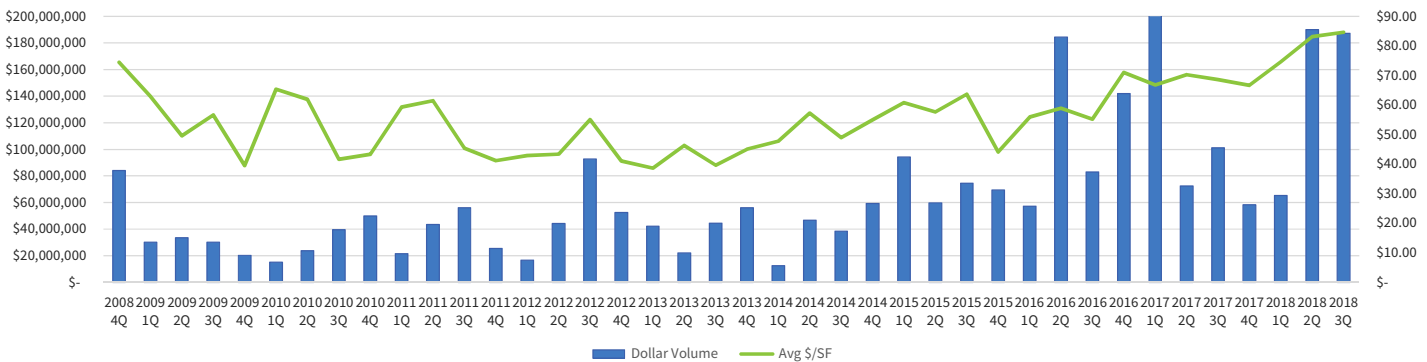
Property Address	City	Submarket	Buyer	Seller	Sale Price	Sale Date	Bldg Size	Price Per SF
627 Progress Way	Sanford	Seminole	Charles Wayne Properties	Monroe South RE LLC	\$9,550,000	9/24/2018	118,680 SF	\$80.47
12340 Boggy Creek Road	Orlando	SE Orange	TA Realty	RELP Mojo, LLC	\$108,000,000	9/20/2018	857,470 SF	\$125.95
570 Monroe Road	Sanford	Seminole	Step by Step Management	Vantage Sanford, LLC	\$13,400,000	9/17/2018	110,370 SF	\$121.41
2001 Directors Row	Orlando	SW Orange	Cabot Properties, Inc.	Lowrie Brown Investment Co	\$6,275,000	8/1/2018	100,286 SF	\$62.57

3Q 2018 Industrial Building Sale Stats

	# of Sales	YTD # of Sales	\$ Volume	YTD Volume	Square Feet	Avg \$ / SF
2018 3Q	27	79	\$187,336,525	\$442,484,866	1,895,504	\$84.61
2018 2Q	29	52	\$189,979,741	\$255,148,341	2,742,486	\$83.17
2018 1Q	23	23	\$65,168,600	\$65,168,600	965,093	\$74.58
2017 4Q	19	86	\$58,241,600	\$458,787,700	1,055,855	\$66.66
2017 3Q	22	67	\$101,114,500	\$400,546,100	1,474,426	\$68.58
2017 2Q	22	45	\$72,483,000	\$299,431,600	1,031,214	\$70.29
2017 1Q	23	23	\$226,948,600	\$226,948,600	3,396,715	\$66.81
2016 4Q	30	108	\$141,887,629	\$466,480,900	2,001,991	\$70.97
2016 3Q	20	78	\$83,070,200	\$324,593,271	1,924,778	\$55.20
2016 2Q	33	58	\$184,298,871	\$241,523,071	2,907,759	\$58.89
2016 1Q	25	25	\$57,224,200	\$57,224,200	1,113,820	\$55.89



Building Sales Dollar Volume vs. Avg Price / SF Previous 10 Years



QUARTERLY TRENDS



Absorption – Activity remains strong on all property classes. We are continuing to see many of the new speculative developments have leases signed or have deals negotiating prior to receiving a certificate of completion, which in turn is driving absorption, lease rates and vacancy rates.



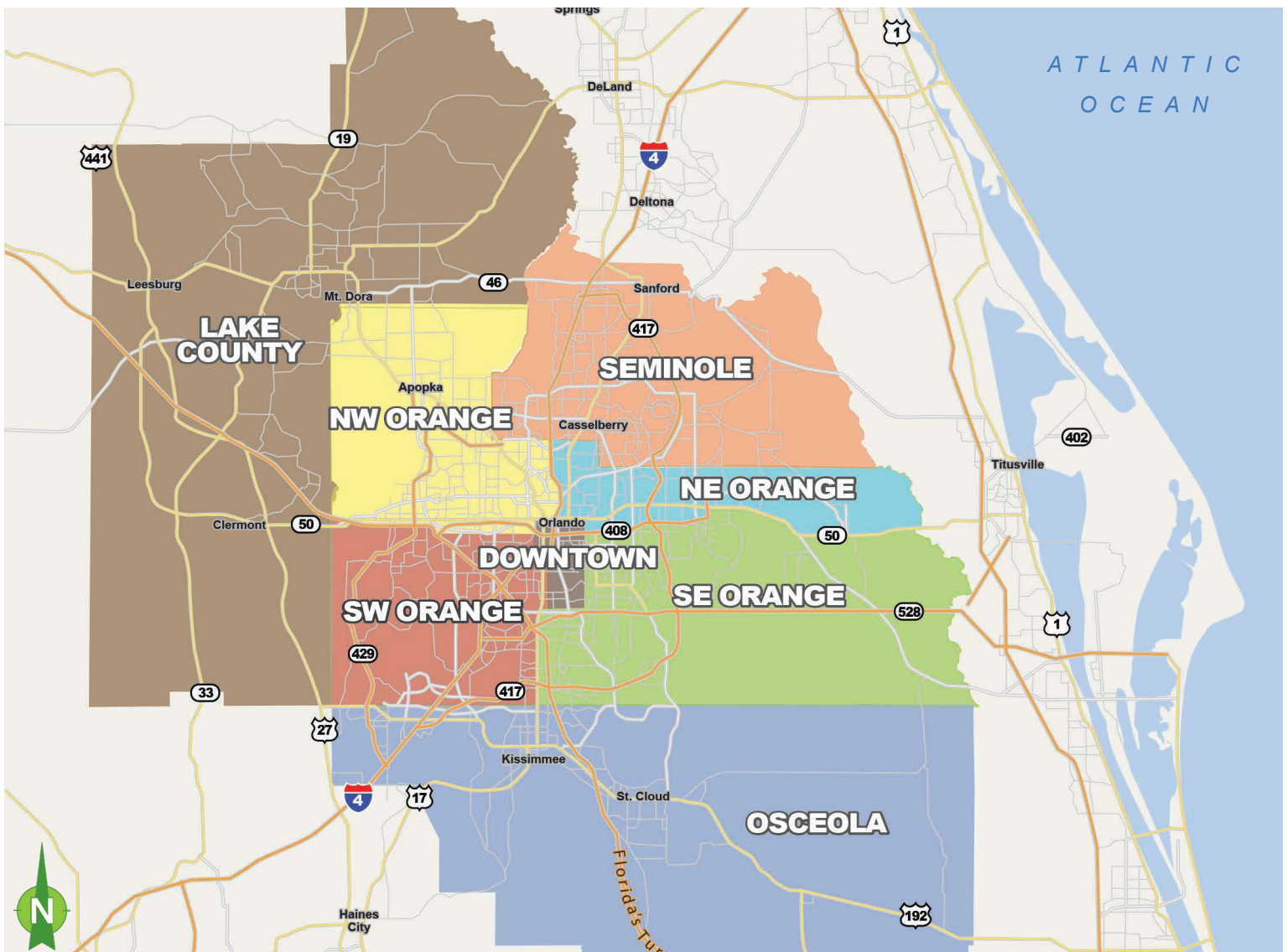
Construction Pricing – Construction pricing seems to continually increase. It will be interesting to see the impact this increase in pricing will have on our robust economy. We are starting to find it more difficult to get deals to pencil out and landlords are having to capitalize more costs in order to get deals over the finish line.



Conventions/Theme Parks – With 1.5 million tourists in Orlando at any time, our convention industry and theme parks remain a critical component to the Central Florida economy. Disney and Universal are both set to open new attractions that will create a boon for construction and tourism in the future. Those projects include the Star Wars attraction/hotel, Jurassic World, and a new River Country Resort.



Land Development – The constraint on centrally located land continues to get tighter and tighter. With very few land sites remaining, developers are having to get creative on potential opportunities or look further out of the core for sites.



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